

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 15, 2010
POSITION: Oppose

BILL NUMBER: SB 968
AUTHOR: G. Negrete McLeod
RELATED BILLS: AB 2058 (Block)

BILL SUMMARY: Unemployment Insurance: Retraining Benefits

This bill would create the California Training Benefits Program and make various changes to the Unemployment Insurance (UI) Code (UIC) to extend benefits and enhance opportunities to obtain training while receiving benefits. Specific changes include making beneficiaries automatically eligible for training and retraining benefits, deleting provisions requiring individuals to obtain an Employment Development Department (EDD) determination of eligibility for training, eliminating the requirement for an individual to apply for training benefits by the 16th week of receiving UI benefits, and requiring EDD to publicize and promote the available benefits.

FISCAL SUMMARY

This bill would result in substantial but indeterminable costs to the General Fund by extending UI eligibility. According to EDD, there is no viable means to estimate the number of beneficiaries eligible for this program due to numerous variables affecting individual eligibility. These include issues such as timing associated with when individuals begin collecting benefits, the individual's maximum benefits, when individuals entered training and other factors. Further, this bill could result in employer tax rate increases.

Under current law, time lines exist for applying for UI benefits and the requested training program must be approved. Under this bill, claimants would no longer be required to apply for training benefits and EDD would have no oversight authority. Anyone would be able to enter any type of training and extend benefits as long as a person from the training program certified the claimant is successfully participating in the training.

COMMENTS

The Department of Finance (Finance) is opposed to this measure due to the cost of extending benefits. Currently, the UI trust fund is insolvent and the state currently owes the US Department of Labor more than \$8 billion General Fund. Further, based on current eligibility rules and program services, EDD estimates the debt to the federal government will grow by an additional \$10 billion General Fund by the end of calendar year 2010. Thus, the potential significant but unknown costs to expand eligibility and services in this bill would increase the amounts owed to the federal government.

Finance also opposes this bill because it removes all authority for EDD to approve training associated with extended benefits. Currently, EDD assesses a proposed training program for the likelihood the training will lead to gainful employment. Under the provisions of this bill, any training program would qualify the claimant for extended benefits, whether or not the course of study is in a field where employment is available.

AB 2058 (Block) is similar to this bill but would instead only provide for automatic training and retraining benefits when the EDD director certifies the state unemployment rate exceeds 8.5 percent. AB 2058 would also result in significant but indeterminable costs to extend benefits.

Analyst/Principal (0250) J. McGuinn	Date	Assistant Program Budget Manager Nona Martinez	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL NUMBER

SB 968

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
7100/EDD	SO	No	-----	See Fiscal Summary				-----	0871
<u>Fund Code</u>	<u>Title</u>								
0871	Unemployment Fund								